

FOIAb3b1

October 19, 1960

Dear Jim:

Re: Cost Reports on Projects A, C & O
PO-660 and FP-1054

Now that the term of PO-660 is coming to an end I have been re-examining costs particularly where ceilings are involved. It might be best to re-establish how I obtain the figures I report to you for Doug and his people.

In each cost report line 1 "Materials furnished under FP-1054" are those items delivered which are specifically ordered for a given project and hence are readily identifiable. Line 2 "Materials not billed separately" are items ordered in bulk on FP-1054 and are principally chemicals. We have records of how much we use per hour of machine operation, and this is what we report here.

Line 3 "Labor, Burden and Materials" are those charges incurred on specific job numbers set aside for each project under PO-660. The costs reported to us by the accountants and, therefore, those which we have been reporting to you are what we call "factory costs" and do not contain any fee or profit and contain only part of our allowed G&A. PO-660 is a time and material contract and the hourly rates under which you are billed include a profit equivalent to our normal fee and all of the G&A. The difference between "factory cost" and "billing" is about 11%. I have been intending to stop expenditures on specific projects when the "factory cost" equaled the amount allowed under the contract less 9%, but if Doug is transferring charges based on my cost reports this would result in an under transfer of the 11%. To use specific examples: under PO-660 the contract allowable cost for C is \$79,069 whereas this represents a factory cost of \$71,233 (approximately). The contract allowable on A is \$25,000 and this represents a factory cost of approximately \$22,550.

I would like to know whether you want to make this 11% adjustment down there, or whether you want a note from me adjusting it in my next report on each project.

Also I would like to know whether you want the reporting procedure changed in PO-1200 to more nearly represent what would be the true billing cost.

-2-

Incidentally, PO-660 was never funded for "O" so I plan to transfer all charges to date for O to PO-1200 and credit PO-660.

ELG/MDG

E. L. G.